

The Impact of e-Commerce on International Marketing

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International Marketing

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Table of Contents

- **Abstract.....2**
- **Introduction.....3**
- **Background on e-commerce.....3**
 - Definition
 - Historical Development
 - Acceptance of e-commerce
- **Overview of eBay.....4**
 - eBay's primary businesses
 - Financial data
- **International distribution channels.....6**
 - Definition
 - Direct and Indirect selling channels
 - Channel decisions
 - Channel adaptation
 - The eleven C's
 - Diagram
- **How e-commerce favors international marketing.....10**
 - Easier, faster, and cheaper
- **How e-commerce creates obstacles for international marketing.....12**
 - Difficulty in maintaining effective levels of security
 - Existence of cultural barriers
- **Example case: eBay's in China.....14**
- **Conclusion and future recommendations.....14**
- **Appendix.....16**
 - Exhibit 1
 - Exhibit 2
- **Works Cited.....18**

Abstract

The evolution of electronic commerce has changed the way business is conducted forever. With the click of a button, people are connected from all over the world anytime and anywhere. The following paper will focus on the current e-commerce environment and specifically how it has impacted international marketing. This will be done by looking at electronic distribution channels and how their dynamic nature has changed the marketing mix. Also, this paper will attempt to make these points clear by using an example of an e-commerce company, eBay, and provide an overview of its channels of distribution. The paper will conclude with an overview of the advantages and disadvantages for international marketing in regards to e-commerce and provide some future recommendations for marketers that will help them in this ever-changing environment.

Introduction:

The world is becoming more and more interconnected because of the evolution of e-commerce. In more and more ways people are finding it easier to communicate and conduct business. These changes have been significant for international marketing because this dynamic business environment has caused a change in the marketing mix, which has forced marketers to change their strategies. The purpose of the following paper is to analyze the impact of e-commerce on international marketing. The objective of this paper is to prove that e-commerce provides more advantages for international marketing than disadvantages.

In order to meet this objective the paper will first explain what e-commerce is, provide a background on its historical context, and look at the extent of its worldwide presence. Next, eBay will be used as an example of an e-commerce company to exemplify the impact of e-commerce and its affect on international marketing. This section will be followed with an explanation of distribution channels, how they change in terms of e-commerce, and their significance to international marketing. The next part of the paper will analyze the advantages and disadvantages of e-commerce in relation to international marketing. E-commerce is beneficial to international marketing because it makes marketing easier, cheaper, and faster. The disadvantages of e-commerce for international marketing include the difficulty of maintaining effective levels of security and cultural barriers. This section is then followed by a discussion on eBay's presence in China and an analysis of the challenges and successes it has had there. The conclusion states that the advantages of e-commerce outweigh the disadvantages and that, in the long-term, international marketers will benefit from the growing e-commerce environment. This is then followed by some recommendations for aiding eBay's distribution channels such as establishing internet-accessible venues, creating easier methods of payment, and producing central shipping centers for products.

Background on e-commerce:

In order to understand how e-commerce impacts international marketing, one must first have an understanding of what e-commerce actually is. Therefore, this section provides a definition of e-commerce, an overview of its historical development, and the status of e-commerce in the world today.

Definition:

“Electronic commerce”, “e-commerce” or “ecommerce” consists primarily of the distributing, buying, selling, marketing, and servicing of products or services over electronic communications systems such as the Internet and other computer networks like extranets, e-mail, e-books, databases, and mobile phones (E-Commerce 1). E-commerce encompasses all types of commerce, including B2B, B2C, and C2C and is carried out in a variety of ways including electronic funds transfer, supply chain management, e-marketing, online marketing, online transaction processing, electronic data interchange,

automated inventory management systems, and automated data-collection systems (E-Commerce 1). E-commerce generated sales of \$12.2 billion in 2003 (E-Commerce 1).

Historical Development:

The meaning of the term "electronic commerce" has changed over time (E-Commerce 1). Originally, electronic commerce referred to the facilitation of commercial transactions electronically using technology like Electronic Data Interchange to send commercial documents like purchase orders or invoices electronically (E-Commerce 1). Later it came to include activities more precisely termed "Web commerce", the purchase of goods and services over the World Wide Web (E-Commerce 1).

When the Web first became well-known among the general public in 1994, many forecasted that e-commerce would soon become a major economic sector (E-Commerce 2). However, it took about four years for security protocols to become sufficiently developed and widely deployed (E-Commerce 2). A large number of e-commerce companies arose during the late 1990's but suddenly disappeared during the "dot-com" collapse in 2000 and 2001 (E-Commerce 2). Though this appeared to be a real setback for e-commerce it was in fact beneficial because many "brick-and-mortar" retailers recognized that these dot-com companies had identified valuable niche markets and began to add e-commerce capabilities to their web sites (E-Commerce 2).

Extent of e-commerce

E-commerce is heavily dependent on the evolution of technology (E-Commerce 2). For example, the faster and more efficient technology becomes, e-commerce becomes more widespread and accessible to people around the world (E-Commerce 2). However, due to the unequal distribution of wealth and resources around the world and the great disparities between developed countries and less developed countries, the acceptance and exposure to e-commerce has been widely uneven (E-Commerce 2). As of 2005, e-commerce was well-established in major cities across much of North America, Western Europe, and certain East Asian countries like South Korea (E-Commerce 3). However, e-commerce is still emerging slowly in some industrialized countries, and is practically nonexistent in many lesser developed countries (E-Commerce 3).

Overview of eBay:

eBay is "The World's Online Marketplace" for the sale of goods and services (Investor 1). It is a diverse community of individuals and small businesses with more than a 100 million registered members from around the world (Investor 1). eBay was founded in 1995 by Pierre Omidyar, an American (Investor 1). eBay's mission is to provide a global trading platform where anyone can trade anything (Investor 1). On any given day there are millions of items listed on eBay in thousands of categories from collectibles like trading cards, antiques, dolls, and housewares to practical items like used cars, clothing,

books and CDs, and electronics (Investor 1). On eBay buyers have the option to purchase items in an auction-style format or a fixed price format (Investor 1).

eBay has grown from its single U.S. website to many local sites that serve Australia, Austria, Belgium, Canada, China, France, Germany, Hong Kong, India, Ireland, Italy, Malaysia, the Netherlands, New Zealand, Poland, the Philippines, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, the and United Kingdom (eBay 1). In addition, eBay has a presence in Latin America through its investment MercadoLibre.com (eBay 1). eBay also manages the Half.com, Shopping.com, Rent.com, ProStores, Kijiji websites and has its own online payment platform in PayPal (eBay 1). The company also offers Internet based telephone services through Skype (eBay 1).

eBay's Primary Businesses:

eBay has three primary businesses: marketplaces, payments, and communications (Company 1). eBay's marketplaces provide the infrastructure to enable online commerce in a variety of formats, most notably auction style or fixed-price (Company 1). eBay's websites are fully automated, topically arranged online and provide availability around-the-clock (Company 1). This enables sellers to list items for sale, buyers to bid for and purchase items of interest and all eBay users to browse through listed items from any place in the world at any time (Company 1). eBay users have access to a variety of pre-trade and post-trade tools and services (Company 1). Pre-trade tools and services include photo hosting, authentication services and seller productivity software (Company 1). Some post-trade tools and services are payment processing, insurance, vehicle inspections, escrow, and shipping and postage (Company 1). eBay provides these services directly or through contractual arrangements with third parties (Company 1).

PayPal is eBay's global payments platform that enables any individual or business with an e-mail address to send and receive payments online (Company 1). The PayPal network builds on the existing financial infrastructure of bank accounts and credit cards to create a global, real-time payment solution (Company 1). PayPal offers three types of accounts: Personal, Business and Premier (Company 1). A new user typically opens an account to send money for an eBay purchase or a purchase on another website, a payment for services rendered, or for a payment to an individual in lieu of cash (Company 2). PayPal also offers customers who sell on their own websites the ability to accept credit card payments from buyers without requiring the buyer to open a PayPal account (Company).

eBay's communications business, Skype, enables free voice-over-Internet protocol (VoIP) calls between Skype users and also provides users connectivity to traditional fixed-line and mobile telephones for a fee (Company 3). Skype provides downloadable peer-to-peer Internet software in 23 different languages (Company 3). As of 2006 Skype had 75 million members in 225 countries and territories (Company 3). To use Skype users need a broadband Internet-connected computer with microphone and speakers, a headset, or a Universal Serial Bus (USB) phone (Company 3). Skype is cross-compatible

for a range of computer platforms and devices, including Windows, Mac OS X, Linux and Pocket PC (Company 3).

Financial Data:

eBay makes money from value fees, in the form of commissions, collected from registered users who use the eBay site to trade their goods (Investor 2).

See Appendix Exhibit 1

International distribution channels:

Definition:

Channels of distribution can be defined as any organization or institution that provides for the “forward movement” of products or services to consumers (Channels 60). The distribution process typically involves one or more intermediaries selected to make products or services readily available to the targeted populations (Channels 60). The goal of a channel of distribution is to deliver products and services more effectively and cost efficiently than non-channel distribution processes (Channels 60). The result is that channels of distribution enable marketers to reach a larger number of consumers than they could reach alone (Channels 60).

Direct and indirect selling channels:

There are two distinct types of distribution channels: indirect and direct. Direct selling channels are used when a manufacturer develops an overseas channel (Onkvisit 348). Using this kind of channel requires a company to deal directly with a foreign party as oppose to going through a home country intermediary (Onkvisit 348). Therefore, the responsibility for shipping products to these foreign markets is up to the company itself (Onkvisit 348). The advantage of engaging in direct channels is that it gives a company greater control over its distribution process (Onkvisit 348). For example, approval does not have to be given to a middleman before a transaction is completed, allowing a company’s policy to be followed more uniformly (Onkvisit 348). However, this type of distribution channel can be difficult for a company to manage if it is not familiar with the foreign market (Onkvisit 348). Also, such a channel is time consuming, expensive and requires a large volume of business (Onkvisit 348).

The second kind of distribution channel is the indirect channel, which involves the use of local or domestic channels (Onkvisit 347). An example of the use of an indirect channel is when a company uses intermediaries from its own country to transport its products (Onkvisit 347). Company’s use indirect channels because it is simple and often inexpensive for a company to undertake (Onkvisit 347). For example, with an indirect domestic channel a company is relieved of the responsibility of physically moving products overseas and transportation costs are reduced (Onkvisit 347). However, this

means that a firm also gives up control of its marketing, which can have a negative impact on a company's future (Onkvisit 347).

eBay is unique because, unlike most companies, it is solely a distribution channel. eBay does not produce products, but rather organizes the interaction of buyers and sellers in a virtual marketplace. eBay is an indirect selling channel because it makes use of local intermediaries. One of the main ways that the company does this is through the use of transport companies like UPS, FedEx as well as different countries' postal services. Being dependent on these transporters relinquishes eBay's control over its distribution network. However, eBay also benefits from this because the company does not have to worry about the costs involved in transportation.

Channel Decisions:

Being involved in an international market requires a marketer to make two channel decisions: channel length and width (Onkvisit 361). Channel length refers to the number of times a product changes hands among intermediaries before it reaches the final consumer (Onkvisit 361). A channel is considered long when a product is required to move through several middlemen (Onkvisit 361). eBay attempts to limit the length of its channels by reducing the number of intermediaries involved between a customer's purchase of a product online and their receipt of the product. eBay does this by allowing buyers and sellers to interact directly with each other. In fact, the only intermediaries involved are eBay, which acts as the marketplace, and the courier that delivers the product.

Channel width is related to the number of middlemen at a particular point or step in the distribution channel (Onkvisit 361). A channel is more efficient when there are fewer middlemen involved in any specific step (Onkvisit 361). For example, eBay also attempts to limit the width of its distribution channels by providing consumers with a limited number of options for product shipment. These options include express delivery, three to five day delivery, or regular post (eBay 1). In order for any buyer to receive a purchased product from a seller, they are obligated to choose one of the following forms of shipment.

Channel Adaptation:

For marketers to have successful channels of distribution they must be culturally sensitive as well as take advantage of standardized methods, which can save time, money, and other valuable resources. Standardization refers to the attempt to make channels more universal (Onkvisit 361). The effect of globalization has facilitated a homogenization of cultures around the world (Onkvisit 361). Therefore, to some degree, the expectations of marketing have become more centralized and because of this marketers have the opportunity to apply some universal strategies. For example, the Internet is a new environment that is, in many ways, homogeneous. This means there may be less of a need for adaptations for local customs. eBay takes advantage of this standardization by

having all buyers and sellers follow the same procedures for carrying out transactions, such as the use standardized payment methods with such services as PayPal.

Although the standardized approach may be helpful sometimes, it is equally imperative for international marketers to understand the distribution structures and patterns in those markets. In order to have a worldwide presence a company such as eBay needs to adapt its distribution channels to take into account distinct cultural differences. For example, distribution needs to be highly adapted in areas like Africa, Latin America, and Asia because these regions' government regulations and local customs act as barriers to distribution standardization (Onkvisit 361). In the case of eBay, the company has introduced standards of localization by creating websites for each country it has a presence in. These websites have been adapted to include a country's language and other aspects necessary for effectively communicating with a specific target population.

The Eleven C's:

There are eleven elements that are necessary for creating more efficient and productive distribution channels. This section will touch on all eleven and examine, briefly, how they apply to eBay.

Customer Characteristics:

Marketers must be aware of who their target markets are and what these markets desire in order to properly cater to their needs. eBay is unique because it services many different types of customers who purchase millions of products. This creates both a challenge and an opportunity for eBay's marketers because though it would be impossible to develop standardized strategies to attract all of these customers, it is also possible for marketers to make use of many different marketing methods.

Culture:

As has already been mentioned, marketers must take into the account cultural differences when designing distribution channels because each culture may require a different means of reaching a customer. eBay has done this by adapting websites to fit local environments.

Competition:

A company must be aware of its competition's distribution channels because they can be a source of vulnerabilities. eBay has witnessed the rise of competitors and has confronted this competition by acquiring their market share. For example, companies like Shopping.com and Skype were once legitimate threats to eBay, but now eBay has bought them and they are a part of eBay's distribution channels.

Company Objectives:

Having effective distribution channels is a major factor in determining a company's success. Therefore, a company must have a clear plan as to how they are going to maintain and update its distribution channels to stay competitive. One of the ways eBay has done this is by acquiring similar online marketplaces. Doing so has allowed eBay to gain greater control over the online marketplace industry's distribution channels.

Character:

Since any type of product can be purchased on eBay, the characteristics of these products, and its customers, vary infinitely. However, even though the products change, the channels of distribution for these products vary little. eBay's use of automated procedures for purchasing items allows the company to harmonize consumers' purchasing and receiving of products while still offering a large variety of products.

Capital:

Capital is an important aspect of distribution channels because in order to run distribution channels effectively and update them a company must have access to financial capital. The relative simplicity of eBay's distribution channels is one of the reasons the company was able to begin as a startup company in the mid 1990's. The direct relationship between channel growth and sales growth has meant that eBay only has to invest in expanding and updating its distribution channels when the market demands it.

Cost:

The cost of maintaining distribution channels can be a large expenditure for a company. Some distribution channels are so complex that simply maintaining them and keeping them competitive can be a fulltime cost. Since eBay is itself a distribution channel, most of its costs are involved in maintaining these channels. To remain competitive the company must continually update and maintain its website to make sure transactions are fast and efficient and that customer complaints are addressed and settled.

Coverage:

Coverage refers to the number of areas marketer's products are located. On the one hand, eBay gives marketers a great deal of coverage because its website allows for millions of products to be viewed and searched for. However, marketers must make use of a single medium, the Internet, in order to market their products on eBay.

Control:

Since eBay tries to reduce the number of intermediaries involved the company enjoys a great deal of control over its distribution channels. However, maintaining this control can be problematic. eBay's lack of control is seen with its dependence on buyer and seller behavior. A bad event between a buyer and a seller might turn some potential customers away.

Continuity:

In order to continue the progression of successful distribution channels a company must update its channel design. Deciding on the right length and width of its channels can be difficult for a company like eBay but it is a necessary precaution in order to stay competitive.

Communication:

Communication between distribution channels is vital because if a company creates confusion this can turn away potential customers and useful intermediaries. eBay has success with its distribution channels mainly because the company encourages communication between buyers and sellers.

Diagram:

Exhibit 2 in the Appendix provides a visual representation of the e-commerce distribution channels. From the diagram one can see that the infrastructure involved in the online marketplace consists of networks and databases, which is what eBay is. This is what makes eBay unique because, in simple terms, it can be described as a channel that connects buyers with sellers in order to facilitate the trade of goods. This is represented by the rectangles marked “customers” and “suppliers” on either side of the green circle, which in this case refers to eBay. The e-commerce marketplace involves fewer elements for business to be conducted successfully when compared to a traditional industry’s distribution channels. Though some traditional intermediaries are still present in this e-commerce environment (represented by the rectangles in blue), their role is more restricted to specific tasks like order fulfillment and logistics. In terms of eBay, this refers to the company’s relationship with third parties such as transportation carriers like FedEx and UPS. This diagram also shows an existence of more consumer involvement. Whereas consumers were once restricted to simply being end-consumers, their role is elevated by the ability to interact with suppliers, in the case of eBay this refers to the interaction with sellers. The impact of this is that it gives customers more value and power over the products purchased.

How e-commerce favors international marketing:

E-commerce, through the use of distribution channels like eBay, provides marketers an easier, cheaper, and faster way of targeting market segments. One reason why marketers have an easier time is because there are fewer intermediaries involved in e-commerce distribution channels. The advantage of this is that with fewer intermediaries there are fewer middlemen involved, which allows transactions between manufacturers and consumers to be conducted more smoothly. For example, buyers and sellers of products on eBay communicate with each other directly. There are no middlemen involved, besides eBay, which is simply the channel that the buyer and seller interact in. When a

buyer is interested in a product that a seller has posted on eBay, the buyer either bids for that product in the form of an online auction or it is purchased directly at a set price. Such a situation benefits a marketer because it not only allows for direct contact with the target market, but it allows anyone to be a marketer. The marketer in this scenario is not just eBay's marketing department but it is anyone selling a product on eBay. All sellers are marketers, whether they are selling a single product or have dozens of products listed on eBay because they are trying to attract potential buyers to purchase their products.

Another benefit of e-commerce for international marketers is that it makes vendors' specialization easier. E-commerce allows for a high degree of specialization that is not economically feasible in the physical world (Efrain 261). For example, a store that sells a product only attractive to a niche market can operate in cyberspace, but in the physical world such a store would not have enough customers (Efrain 261). This is especially true for eBay sellers because most of their products are items that cannot be found in stores locally (Efrain 261).

The use of standardized marketing strategies is another benefit of e-commerce that makes marketing easier. For example, the consumers that use the Internet to buy and sell products all share certain fundamental characteristics. One characteristic is that they are all computer literate. If these people were not computer literate then they would not be able to access the Internet and use eBay. By knowing something as basic as this, a marketer is able to develop strategies to reach this group of people. Therefore, by taking advantage of the little bit of standardization that comes from using e-commerce and its channels of distribution, marketers have an easier time targeting specific markets.

E-commerce also favors international marketing by making it cheaper. As can be seen by eBay's use of its distribution channels, marketers have a greater ability to communicate with specific market segments because they generally utilize a single medium, the Internet. Though marketers involved in e-commerce are not discouraged from using other traditional forms of media like print, television, and radio, these media can be more expensive than the Internet. With eBay, for example, all consumers have to go to ebay.com in order to make transactions and because of this centralized hub eBay marketers do not have to make use of, or at least not extensively, other forms of promotion to target customers. This direct communication that eBay marketers enjoy just from eBay's website traffic not only saves the company money, but it is also a way for making money. Since eBay sells space on its website for other companies to use for promotional purposes, eBay actually makes money from other companies' advertising.

Just as e-commerce makes international marketing easier and cheaper for marketers, it also makes it faster. With the click of a mouse products are viewed, prices are searched for, and transactions are completed. Surfing the web has saved consumers time and resources compared to the traditional way of shopping where people have to physically travel to a retail outlet in search of a product. eBay is actually the world's largest store and people can shop for virtually any item all from the same website. By having this centralized hub, marketers are able to benefit by directing all of their marketing efforts to a single area. The marketing mix is greatly changed by this scenario because some of the

four P's are emphasized more heavily than others. For example, in the case of eBay marketers must emphasize the "product" more than the "place" since the place is already largely dictated as being the virtual marketplace. Also, online marketplaces, like eBay, are always open, which allows for business to take place anytime and anywhere with no overtime or other extra costs (Efraim 261).

How e-commerce creates obstacles for international marketing:

Though e-commerce provides opportunities for international marketing, it also has created some obstacles, which can be seen in the distribution channels of eBay. The two main obstacles that have risen from the advent of e-commerce are: a difficulty in maintaining effective levels of security and the existence of cultural barriers.

Difficult to maintain an effective level of security:

Distribution channels over the Internet are not anymore safe than physical ones. The speed of transactions and the vulnerabilities of websites makes it easier for outside third parties to gain unrestricted access and intercept products being shipped and sensitive information such as bank account numbers, credit card numbers, debit card codes, etc. However, these problems are being confronted by internet security technology, one of the fastest growing sectors in IT industry, which is constantly improving through the use of encryption, firewalls, and anti-virus software (eBay 4).

Website and transaction security maintenance is very costly. As a result, security issues are completely or mostly outsourced to third parties. Reputations of online companies, unlike physical stores and retailers, are greatly tied into the security and comfort they provide for their customers (Investor 3). Many small businesses simply go out of business due to unaffordable costs associated with securing daily transactions (Investor 3). While prominent online companies, such as eBay, are able to maintain high levels of security for most transactions in their network. eBay gives its users specific instructions to follow before, during and after conducting a transaction to ensure security. This is done particularly to avoid phishing, a type of deception designed to steal one's identity. To avoid this, eBay advises its customers not reply to any e-mail asking for sensitive information such as credit card numbers, bank account numbers, passwords or eBay user IDs. The problem of identity theft is not uncommon for eBay and is conducted mainly by stealing registered users' ID passwords (eBay 4). These stolen ID's are then used for fraudulent purposes like setting up auctions and selling items that will never be shipped (eBay 4). Even though eBay pays up to \$250 for damages to these buyers, this is sometimes not enough to cover the cost of the purchased product (eBay 4).

One of the other difficulties with e-commerce is that securing a distribution channel can be very costly for a company and its customers. For example, securing a safe transit of a single item is more costly than items shipped by large retailers in bulk. Consequently, warranty becomes an issue when such transactions are completed internationally. Generally, in B2B transactions securing product transit is not an issue since it is done by

the seller, buyer or a third party in a procedural manner and much of the time products are shipped in bulk. However, with eBay where many of the sellers represent small businesses, the cost of shipping products, especially internationally is extremely costly in terms of handling, shipping, tracking and insurance. In some cases, the cost of shipping and insuring items of low value outweighs an item's value. Therefore, many consumers tend to take more risk and avoid spending on tracking, insurance and fast delivery options.

Existence of many cultural barriers:

The other obstacle associated with e-commerce in terms of international marketing is the presence of many cultural barriers. One of the barriers that prevent marketers from reaching new markets and expanding current ones is that not all cultures have access to e-commerce and thus the possibility of using electronic distribution networks does not exist. For example, Internet accessibility is still widely unavailable or restricted in many less developed countries. Some countries also face problems regarding the use of international credit cards such as Visa or MasterCard. Typically, many of these countries only have local banks and use only local bank cards, which are not compatible with international e-commerce (Onkvisit 360). This scenario makes it difficult for eBay to do business with the populations of these countries.

The presence of a nearly infinite amount of cultural diversity around the world also makes it challenging for a company like eBay to market itself the same way everywhere. Consequently, in order for marketers to meet the criteria for communicating with each culture they need to determine what features can be standardized and what should be localized. There are several things to consider regarding e-commerce between different cultures, especially language. Language has to be taken into account for the country or culture where one is doing business because it is the basic means of communicating. Even though English is an international language, this does not mean that it is present everywhere. Therefore, eBay needs to translate its web pages to local languages for these populations to participate in the online marketplace.

National and international government regulations sometimes get in the way of the distribution channels (Onkvisit 361). Since many less developed countries are dominated by political regimes with dictators and other non-democratic processes, the ability for the free flow of information, ideas, and products is highly restricted. For example, some of these governments are opposed to having eBay present in their society because the online marketplace gives people a chance to access information and items from outside the controlled environment, which could threaten many of these undemocratic political regimes. As a result, borders still control the degree to which certain cultural groups have access to online environments. This becomes a challenge for international marketers because even though they may have a certain degree of access into new markets, sometimes their strategies may have to drastically change in order to communicate with new market segments.

Example Case: eBay in China

eBay has been faced with many challenges in China, but has also experienced success as well. The emerging Chinese economy is a vital market for most industries, especially the online marketplace since it provides the possibility of adopting another 1.6 billion users who will purchase, sell, and participate in this arena. Currently, China has more than 27 million consumers online, making it the world's fifth largest Internet population behind the United States, Japan, Germany and the United Kingdom (Investor 2). China is also the fourth largest e-commerce market in Asia and eleventh in the world, and its online commerce is expected to nearly double every year for the next four years (Investor 2).

One of the major challenges faced by eBay in China was the presence of a more restrictive government. The Chinese government plays a large role regulating the lives of the Chinese people and the presence of an online marketplace giving people access to anything from around the world was threatening for the government. Therefore, eBay had to adjust the number and types of products it offered in China to meet government regulations and be able to stay in China. One of the ways eBay met the cultural challenge of being in China was by forming a strategic business relationship with EachNet in 2002, the leading online trading community in China (Investor 2). This alliance enabled EachNet to further extend its e-commerce leadership in China and gave eBay a foothold in one of the world's fastest growing Internet markets (Investor 2). eBay's goal in this new relationship is to provide a balance between cultural sensitivity and standardization. eBay has been able to maintain a certain degree of standardization in China by keeping the process by which buyers purchase products on the website from sellers intact. The security measures eBay provides in most other countries are also provided in China in terms of product delivery, refund, and protection against scamming. However, eBay needed to change some things about its website in order to communicate effectively with the Chinese population. One aspect of its website that it had to change was the "shopping cart" icon, which was largely foreign to the Chinese consumer (E-Commerce 3).

Conclusions and future recommendations:

The purpose of this paper was to gain insight into the affect of e-commerce on international marketing. In order to reach this end some background on e-commerce and an example of a successful e-commerce company, eBay, was presented. This was followed by an explanation of distribution channels and their importance and evolution in terms of e-commerce. Finally, there was an attempt to connect all these points together by providing evidence for how e-commerce favors international marketing and how e-commerce creates obstacles for international marketing. The argument is put forth that e-commerce makes international marketing easier, cheaper, and faster for marketers. E-commerce makes international marketing easier because there are less intermediaries involved, cheaper because of the use of single medium (the Internet) and allowing for the possibility of standardization, and finally faster because of the speed of electronic connections. Despite these advantages of international marketing, there are also some obstacles international marketers must face when utilizing e-commerce, specifically the

difficulties in maintaining effective levels of security and the existence of cultural barriers. This paper concludes with the belief that the benefits of e-commerce outweigh its costs in terms of international marketing because despite the difficulties marketers face, the advantages of using e-commerce provide them with a more effective way of communicating with target markets and establishing a better marketing mix.

In order for international marketers to take advantage of the benefits of e-commerce and reduce its costs we propose a series of recommendations. These solutions are specifically made for eBay, since this is the company that was analyzed and whose weaknesses were already highlighted. The first recommendation is to establish freely accessible internet venues in less developed countries in order to give users more access to the Internet. Doing so will aid in the growth of the e-commerce environment and give eBay more potential clients who can buy, sell, and participate in the online marketplace. Consequently, marketers will find a larger market population to reach and the expansion of current market segments. The second recommendation is for eBay to establish easier payment methods for the purchase of products on its website. Since many people, especially those in less developed countries, lack credit cards and other more advanced forms of payment, eBay should establish affiliations with local banks in an attempt to make transactions of cash more possible because this will enable more people to participate in the online marketplace. The final recommendation is for eBay to create shipping centers for areas in the world where product transportation and delivery is expensive. For example, shipping a single product to a country where transportation costs are very expensive often deters people from buying and selling products on eBay. If eBay can create some kind of distribution network that involves a single destination station for a large volume of products shipped to the same location/region this would save people money and hopefully encourage more people to participate in the online marketplace.

Appendix

Exhibit 1 : Financial Data

- **Table of Sales per Geographic Area:**

Location	% of eBay Total Sales
USA	58%
Rest of World	42%

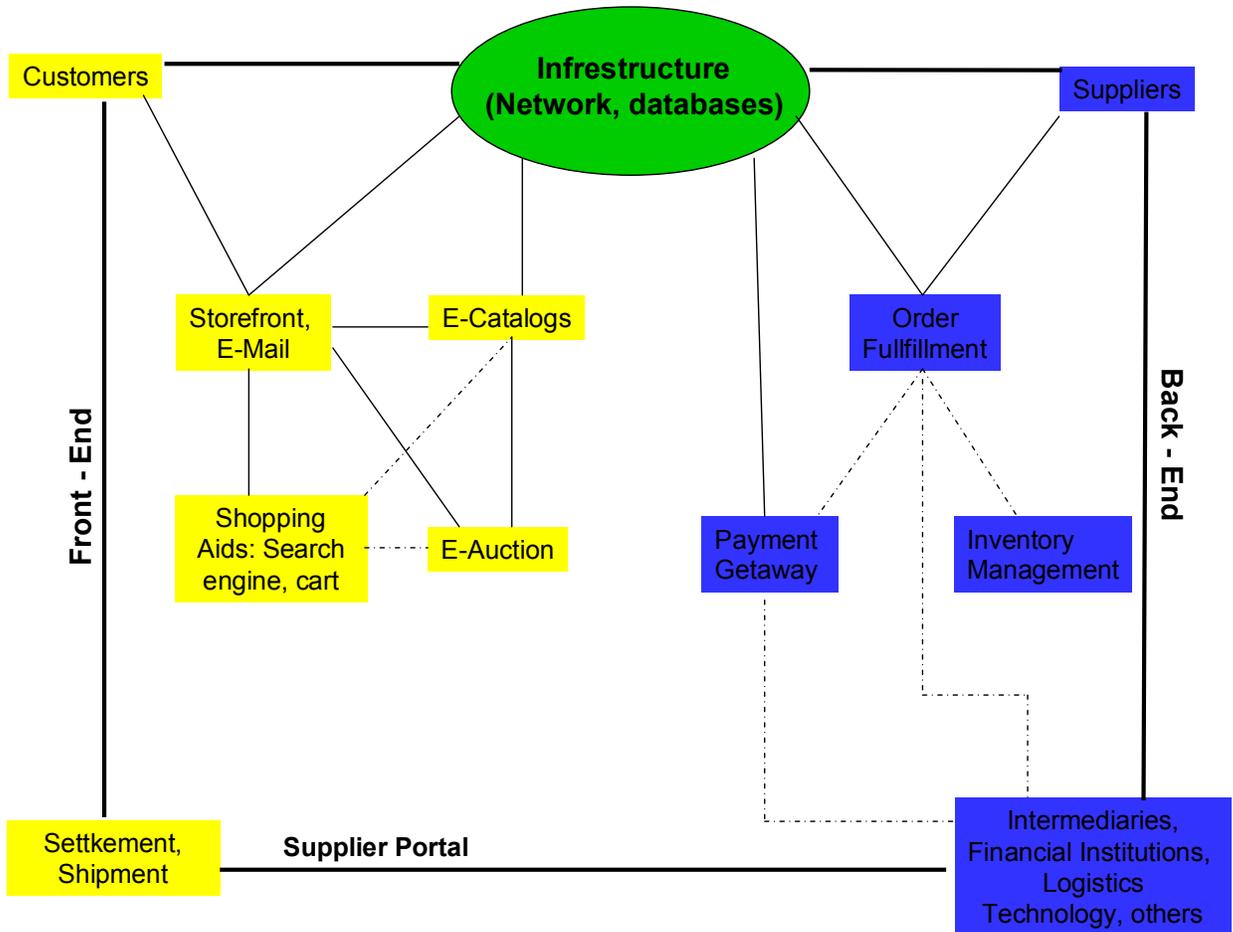
- **Table of Key Figures:**

Year	2004	2003	2002	2001
Net Operating Revenues	3,271.3	2,165.09	1,214.1	748.8
Net Profit	778.22	441.77	249.89	90.44

***million of USD**

- For the fiscal year ended 31 December 2005, eBay Inc.'s revenues increased 39% to \$4.55B. Net income increased 39% to \$1.08B.

Exhibit 2: The Essential Elements and Mechanisms of an Electronic Market



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